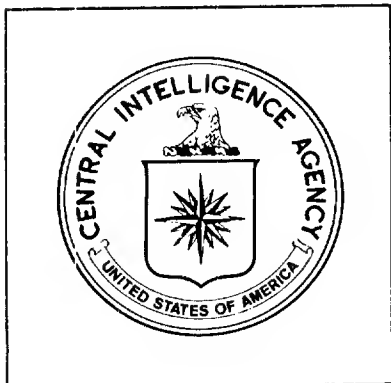


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⊕ Strategic Research Monthly Review

April 1977

This publication of the Office of Strategic Research contains substantive findings and analytical judgments that are preliminary in nature and have not been formally coordinated with other CIA and intelligence community components.

Comments and queries regarding the articles are welcomed. They may be directed to the person named following each item.

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Their dispute with Morocco over the former Spanish Sahara has prompted the Algerians to improve their air force by obtaining new combat aircraft from the USSR and upgrading military airfields.

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Soviet Military Command Changes: A Possible Arms Control Connection

Two recent signals in the Soviet press suggest a possible explanation for the transfer of Marshal V. G. Kulikov from chief of the General Staff to commander of Warsaw Pact forces in January 1977. (Kulikov replaced Marshal I. I. Yakubovskiy, who died in early December 1976.) The first signal took the form of a historical analogy, a common Soviet device for conveying politically sensitive messages to domestic elites. On the same day Kulikov's transfer was announced, *Pravda* printed an article by a Brezhnev protege which pointedly referred to a reshuffle of the Soviet high command in 1919. The transfers that year resulted from a policy dispute in which the military commander unsuccessfully opposed the top political leader. The article thus appears to imply that similar circumstances occasioned Kulikov's move.

The other signal was an article in the January *Military Historical Journal* by Colonel Ye. I. Rybkin, an officer of the Main Political Directorate. Rybkin is a long-time exponent of the doctrine of "victory" in nuclear war and critic of those Soviets who assert the futility of adding to existing nuclear stocks. In the January article, Rybkin acknowledged for the first time that quantitative increases in strategic weapons "change nothing in practice" and avowed that, at SALT during 1972-1974, the Soviet Union committed itself to strategic parity. Marshal Kulikov's past identification with the opposite view contrasts with Brezhnev's public and private disparagement of quantitative superiority and suggests that differences on arms control may have contributed to Kulikov's transfer to a post with less direct influence on SALT and strategic planning.

Effect on Arms Spending. Kulikov's transfer lends credibility to Soviet declarations in favor of concluding a SALT II agreement, but there is less reason to credit speculation* that his transfer and Rybkin's renunciation of quantitative superiority signal a downturn in Soviet arms production and spending. Although the SALT I agreements impose quantitative limits on Soviet strategic missile forces, the heavy Soviet commitment to qualitative improvement of those forces continues to demand large expenditures.

To date there are no indications of a slowdown in the growth of Soviet allocations to military production and deployment. If the events cited above do indicate a change in defense policy, its effects would not be detectable for a year or more because of the long lead times required to transfer resources.

If Brezhnev favors a resource transfer to the consumer sector, he does not appear to have overcome opponents of such a move. A Central Committee decree of 31 January concerning the sixtieth anniversary of the October Revolution reiterates that "The pivot of the party's economic strategy... is the assurance of stable,

* For example, see Henry Bradsher in the *Washington Star*, 10 February 1977.

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balanced growth in heavy industry—the fundament of the economy.” As *Military Thought* for September 1976 noted, “This encompassing formula especially emphasizes the significance of heavy industry for the further development of the whole national economy and the strengthening of the country’s defense capability.” If there had been a change in Soviet policy, this formula probably would have been deleted or modified.

Brezhnev’s Political Influence. The duration of increased Soviet interest in arms control, signaled by Kulikov’s transfer and the Rybkin article, depends largely on the political strength of its most influential proponent—Brezhnev. His influence could be cut short by illness or by a diminution of his political support.* In the defense field, Brezhnev appears to rely heavily on Defense Minister Ustinov and on Party Secretary Kirilenko, but neither man has a public record of support for arms control. For example, an article by Ustinov in the February 1977 issue of *Kommunist*, the party’s theoretical journal, accuses the United States of not having abandoned the quest for strategic superiority. Other Soviet leaders, particularly Council of Ministers Chairman Kosygin and KGB chief Andropov, are probably more receptive to arms control, but the transfer of Kulikov probably involved the aid or at least acquiescence of men who do not appear to be reliable supporters of arms limitation.

Even Kulikov’s replacement as chief of the General Staff, Marshal N. V. Ogarkov, was more intransigent than other Soviet delegates when he was at SALT in 1969-1971. Furthermore, officers appointed to the General Staff during Kulikov’s tenure have not yet been transferred to other posts and could provide Kulikov with a channel for continuing influence.

Other Motives for Kulikov’s Transfer. Those who supported Kulikov’s transfer may have had diverse motives. Probably inspired by a speech which Ustinov gave last July, the Soviet military press has been campaigning against officers who condone disciplinary violations. Of late, this campaign seems to have diminished. The coincidence of Kulikov’s transfer with the waning of the press campaign could indicate that he was blamed for mismanagement of the disciplinary system. We do know that the General Staff is responsible for keeping track of disciplinary violations and that the failure to keep proper records was one criticism made in the press. Other possible motives include impatience with Kulikov’s self-assertive personality and the rivalry between Kulikov and Ustinov that may have resulted from their probable competition for the appointment as minister of defense. Others may have felt that Kulikov was better suited for the Warsaw Pact job than for the General Staff position. In sum, Kulikov’s transfer may have been motivated by a combination of reasons, not solely by arms control considerations.

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* Brezhnev’s sickness in 1975 may have accounted for the vigor with which apparent opponents of arms control asserted their views in the summer and fall of that year.

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Soviet Civil Defense and the ABM Treaty

The transfer of responsibility for Soviet civil defense to the Ministry of Defense preceded the signing of the ABM Treaty by some eight months. This sequence has led some American observers to infer a causal link between the two events. They assert that the Soviets sought the treaty in the expectation that their civil defense program would compensate for the lack of a nationwide ABM system and give them a strategic advantage over the US. This hypothesis logically depends on two propositions: that the Soviets had determined the course of their civil defense program before they agreed to limit ABMs, and that they believed civil defense was an effective substitute for an ABM system.

Apparent Sequence. The evolution of Soviet views on ABM limitations and on civil defense organization suggests that the Soviets decided to accept an ABM treaty like the one eventually signed in May 1972 before they knew what would happen in civil defense. This decision probably occurred sometime between 1968 and early 1970. Before 1968 the Soviet view of the ABM issue, as Chairman Kosygin explained in February 1967, was that a defensive system would not fuel the arms race and that consequently there was no reason to include ABMs in arms control negotiations. By July 1968 the Soviets had changed their minds and had accepted the inclusion of ABMs as a topic in SALT. When the United States proposed optional versions of an ABM accord in March 1970, the Soviets took only one week to select the so-called National Command Authorities variant. The speed with which they accepted this variant and the fact that they had begun deploying a system corresponding to the NCA option around Moscow suggest that the Soviets had already decided in favor of a treaty of this type. US concerns about the asymmetries of the US and Soviet ABM deployments, however, delayed the signing until 1972. The final agreement permitted protection of one ICBM complex in addition to the national capital.

In contrast to the apparently settled Soviet position on ABMs by 1970, the subordination of the civil defense program remained controversial from its acquisition of autonomy in the mid-1960s to November 1971. During this period the civil defense staff under Marshal Chuykov engaged in disputes with the Ministry of Defense about control over certain resources and about the doctrinal importance of surprise. At the root of these disagreements was Chuykov's decision favoring evacuation over shelters as the tactic of civil defense. Because of the time needed for evacuation, Ministry of Defense planners who expected nuclear war to begin by surprise—either a surprise US attack or a sudden Soviet preemptive strike—preferred readily accessible shelters that would not tip the Soviet hand. Evacuation demanded that transport and manpower be made available to civil defense from resources designated in existing plans for military mobilization and use. Although a costly investment, shelter construction would relieve demand for these resources in the event of war because fewer people would need to be evacuated. In 1968, either because of MOD pressure or for other reasons, the civil defense leadership modified its previous objections to accept some shelter construction as an alternative to evacuation.

Nevertheless, continuing disagreements with the civil defense staff probably were the reason for a proposal to integrate civil defense into the MOD. The proposal was made by military officers as early as 1969 and justified on administrative grounds.

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resubordination of civil defense remained controversial until the final decision. After the appointment in October 1972 of a new chief of civil defense, General A. T. Altunin, the priority of the shelter program increased, even though Altunin recognized that construction of shelters for the whole population would be an expensive, long-term project.

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In 1968 Chuykov published a pamphlet in which he stated:

The role of civil defense would be artificially exaggerated if one considered it capable by itself of independently assuring the defense of the population and material resources from weapons of mass destruction.

Chuykov regarded a combined effort by civil defense and the armed forces as essential for successful defense.

A civil defense textbook published in 1970 (and therefore written while the fate of ABM may still have been uncertain) asserted the effectiveness of ballistic missile defense but also noted:

However, no one can guarantee that a portion of the enemy missiles will not penetrate through our air defense. In this case significant reduction of population casualties can be achieved only by carrying out a whole complex of civil defense measures.

The third edition of the textbook, published in 1977, repeats this statement.

These pronouncements suggest that the Soviets do not regard civil defense as a substitute for an ABM system and did not at the time they were deliberating a treaty. Instead, civil defense is consistently presented in Soviet sources as a complement to an ABM system.

Conclusion. The evidence, therefore, does not support the hypothesis that reliance on civil defense made the Soviets expect an advantage from the ABM

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Treaty. It is entirely possible that the prohibition against deploying ABMs contributed to increased Soviet interest in passive defense. But the roots of the current civil defense program are visible in the disputes of the 1960s, when the viability of an extensive shelter program was debated with only passing reference to ABMs.

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Significance of the Official Soviet Defense Budget

Recently examined Soviet open source materials imply that the single-line item for defense in the USSR State Budget covers all operating costs for the Soviet military forces and only those costs. By implication, costs of military construction, procurement of arms and other equipment, and military research, development, test, and evaluation (RDT&E) are located elsewhere in the budget or financed from nonbudgetary sources.

This is a tempting hypothesis; if it were true and we could isolate the element of inflation, the announced defense budget would provide an indicator of both the magnitude and the pace of the overall Soviet defense effort. On a number of counts, however, the hypothesis does not stand the test of examination against known and observed trends in the activities of the Soviet forces which generate operating costs. For example, although both the announced budget and CIA's estimate of operating costs show an overall rise since 1960, the announced budget shows large surges and dips which are inconsistent with the more regular and steady annual buildup in the Soviet forces. More important, the announced budget shows no growth since 1970, and even declines from 1973 through 1976, a period when we know the Soviets were continuing to add to their forces in ways that certainly would increase operating costs.

Background. The Soviet Government closely protects information on spending for defense. Only one official figure on defense expenditures is released annually—the single-line item labeled “defense” in the Soviet State Budget. The USSR has never clearly defined what activities are included in this statistic, but the published figure is clearly too low to cover the full range of Soviet military activities. In fact, actual defense outlays are estimated to be about three times the level the Soviets publicly admit.*

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The New Information. A recently found analysis of Soviet state expenditures by V.P. D'yachenko* suggests that in the early years following World War II, the announced defense budget was limited to operating and maintenance costs. In discussing state expenditures from 1946 through 1951, the article contrasts military maintenance costs with other outlays, such as for construction of facilities and supply of materiel. It also provides a table on the 1949 State Budget where *soderzhaniye vooruzhenikh sil*, maintenance or upkeep of the armed forces, is substituted for the standard budget term for defense, *oborona*. The figure given for "maintenance" of the armed forces is identical to the announced defense budget for that year.

An indication that the announced Soviet defense budgets in recent years encompass only operating and maintenance costs is also found in a 1973 treatise on economic/financial planning by Soviet input-output specialist L. Ya. Berri.** He presents a concept of state expenditures in which the defense category explicitly excluded all capital investment and capital repair. Other defense-related activities not included in this definition of defense were increases in state material reserves and social-cultural measures, such as science. While he does not define "expenditures on defense" (*raskhodi na oboronu*), the clear inference is that they are limited to operational-type outlays.

Although Berri's analysis includes nonbudget expenditures, he has demonstrated that Soviet planners employ a concept of defense which excludes many of the costly investment-type activities associated with the total defense program. Moreover, this concept has the same title as that used in the State Budget.

Comparisons With CIA Estimates. The published Soviet defense figures are not directly comparable with CIA estimates of Soviet military operating costs, because the former are in current rubles (which include the effects of inflation) and the latter are in constant 1970 rubles (which do not). Most Western analysts agree that there has been inflation in the Soviet Union, although its pace is difficult to measure because of the controlled nature of the economy and the paucity of Soviet price data. With a rough adjustment for inflation of 2 percent annually—calculated on a 1970 constant ruble base—the Soviet published budget is somewhat higher than the CIA estimate for military operating and maintenance costs through 1972 and lower in subsequent years. Also, the CIA data indicate that Soviet military operating costs have been increasing annually since 1960. The Soviet figures, on the other hand, generally show such costs rising prior to 1970 but falling slowly thereafter. (See chart, next page.)

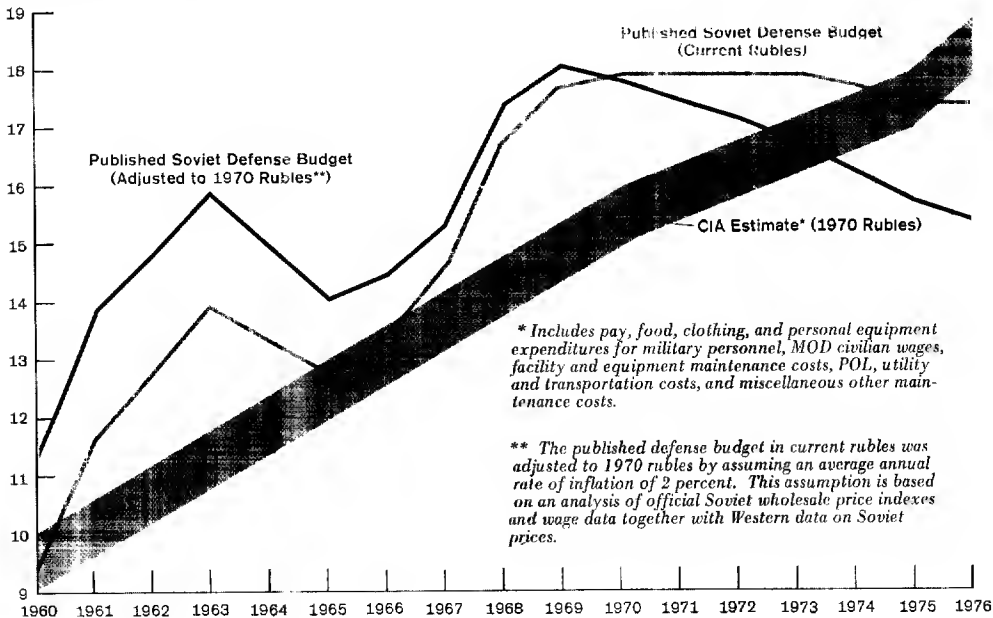
CIA estimates of the costs of Soviet defense programs are based on a direct costing approach, which ties cost estimates directly to Soviet military programs

* V.P. D'yachenko, *Tovarno-denezhniye otnosheniya i finansy pri sotsializme*, Moscow, 1974, pp. 322-323. D'yachenko was a corresponding member of the Soviet Academy of Sciences and headed the Department of Pricing at the Academy's Institute of Economics from 1953 until his death in 1971.

** L. Ya. Berri, ed., *Planirovaniye narodnogo khozyaistvo SSSR*, Moscow, 1973, pp. 451-453.

Estimated Soviet Military Operating Expenditures versus Announced Soviet Defense Budget

Billion Rubles



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The CIA estimates should be regarded as general orders of magnitude rather than precise figures. Nonetheless, the long-term upward growth trend reflects reliable information on Soviet forces and weapons programs.

That operating costs could be falling in the seventies, as suggested in the Soviet data, directly contradicts our evidence. Soviet military manpower levels are estimated to have increased over the 1970-76 period by about 370,000 men, there have been several military pay raises, the inventory of weapons has increased, and there has been greater technological sophistication of new Soviet weapon systems which have undoubtedly raised maintenance and operating costs.

Conclusions. On balance, with the information currently available, the hypothesis that the USSR's announced defense budget covers all operating costs—and only operating costs—since World War II cannot be confirmed. Neither the magnitudes nor the trends in the Soviet data agree with our calculations of Soviet operating costs based on the physical activities observed.

We cannot, however, rule out a real basis for the Soviet data. For example, the defense budget may consist solely of operating expenditures, but it may not include all such expenditures because of Soviet accounting practices. Also, it is possible that the Soviet definition of operating expenditures may change over time.

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It is also possible that the budget is manipulated for political purposes. For example, in the middle of 1961 Khrushchev announced a 25-percent increase in the defense budget, presumably in response to escalating tensions over Berlin and to an increase in the US defense budget. Similarly, some operating expenditures may have been added to the defense budget in the second half of the 1960s as a response to a concurrent rapid expansion in US defense budgets, while operating expenditures may have been shifted from the defense budget to other budget lines in the 1970s to signal Soviet attitudes about detente.

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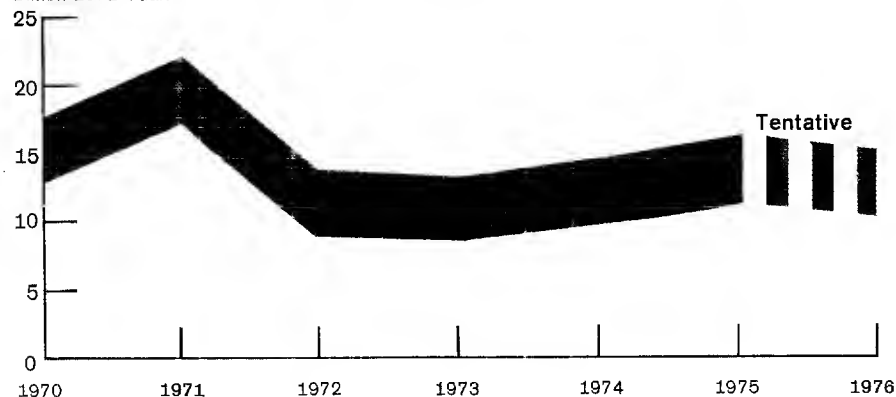
China's Defense Resource Allocation Policy

Despite political instability in Peking, the resource commitment to defense appears to have been relatively stable for the last several years. This judgment is based on estimates of Chinese military procurement as measured in constant 1972 yuan prices (*see chart below*). Although national priorities apparently are now under review, the balanced needs for military strength and economic investment for growth will make it difficult for the leadership to favor one strongly over the other. Consequently, stability in defense spending probably will continue over the next few years.

Expenditure Trend. The modest growth in military procurement since 1972 largely reflects a policy of selective updating of arms and equipment. In general,

Estimated Chinese Military Procurement

Billion 1972 Yuan



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when new models have been introduced, they have been accompanied by cutbacks in older production programs resulting in a relatively small increase in spending for procurement. In 1975, for example, when the Chinese increased procurement of the TU-16 bomber and resumed production of the MIG-21 fighter, they produced about 50 fewer obsolescent MIG-19 fighters. There has been, however, a noticeable increase in ground force procurement since 1975.

Force Augmentation. Although well below the peak year of 1971, the estimated procurement level today is about twice the average annual level of the sixties. China is upgrading its forces both with increased numbers of weapons and with technological improvements.

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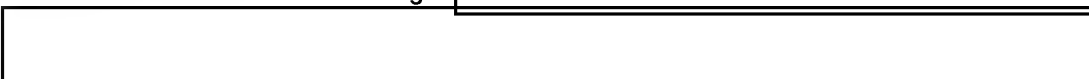


Priorities Under Review. Several recent events suggest that China's new leadership is reviewing national development priorities, particularly the relationship between defense modernization and overall economic development. Last year's economic performance was disappointing, and the promulgation of the Fifth Five-Year Plan is a year overdue. The question of priorities was raised last December with the publication of a 1956 speech by Mao which argued that to strengthen national defense it is first necessary to strengthen the economic base. This notion has since been the subject of several articles in the Chinese media.

The convocation of several national economic planning conferences—including a publicized series of four on defense-related planning—also points to a possible reevaluation of the defense budget.

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Outlook. A decision to increase the rate of military modernization would tend to exacerbate China's economic development problems. Any significant step-up in the production of modern aircraft, electronics, ships, armor, and missiles would draw heavily on the same types of equipment and manpower resources required for the continued development of the economy. Nevertheless, there is tenuous evidence that some elements of the military establishment are pressing China's leadership for increased allocations to defense programs.

China has insufficient resources at this time to finance more rapid military modernization while simultaneously supporting advances in competing civil pro-

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grams. But the leadership would probably find it difficult to cut back on military spending in the face of a continued Soviet threat. As a consequence, China probably will continue the defense resource allocation policy it has followed since 1972, holding growth of military spending in check while allowing for selective improvements in military equipment.

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Algeria Improves Its Air Force

Spurred by its dispute with Morocco over the former Spanish Sahara, Algeria is improving its air force by acquiring new combat aircraft from the Soviet Union and upgrading military airfields.

Aircraft Deliveries. The USSR has delivered 71 MIG-21 fighters and 16 MI-8 transport helicopters to Algeria since early 1976, [redacted] These aircraft probably were supplied under a \$500 million arms agreement which Algiers sought in reaction to the takeover of the Spanish Sahara by Morocco and Mauritania in 1975. [redacted]

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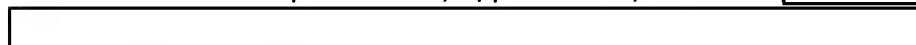


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The acquisitions have enlarged Algeria's inventory of fighter aircraft by nearly one-half and its helicopter force by approximately one-third. [redacted]

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Integration of New Aircraft. The Algerians may be planning to use the new aircraft to expand the number of combat squadrons, although the availability of pilots will limit any substantial increase in units in the near term. [redacted]

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The Algerians also may use a portion of their recent arrivals to replace obsolescent aircraft in operational squadrons. MIG-17 subsonic fighters, for example, have been in service for well over a decade, and Algiers could have earmarked some of the new MIG-21s as their successors in ground attack units. Although there are not yet enough MI-8s to replace the older MI-4s completely, the Algerians may retire some of the MI-4s. The MI-8s have substantially greater cargo and troop capacities and a higher cruise speed.

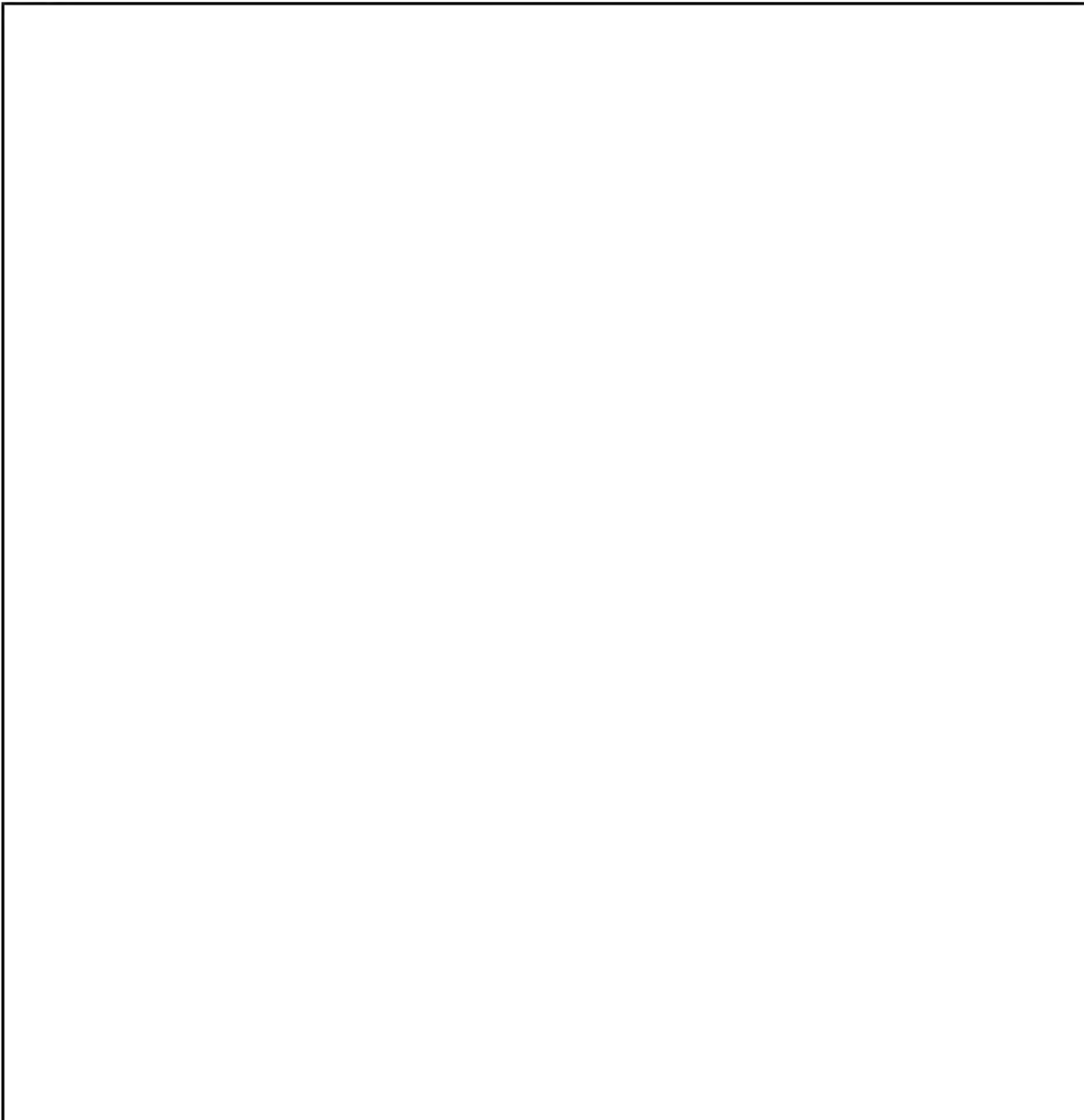
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Air Superiority. Algeria thus is increasing its already decisive advantage over Morocco in air power, although a direct military confrontation between the two over Sahara now appears unlikely. Despite some shortcomings in its air force training

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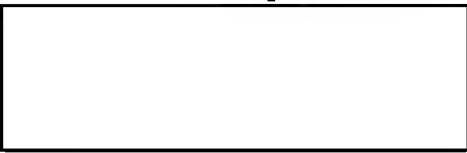
program, Algeria has the edge in terms of the capabilities of its air crews as well as its substantially larger holdings of fighter aircraft. Morocco will receive the first of a scheduled delivery of 25 Mirage F1 multirole fighters toward the end of the decade, substantially improving the quality of its inventory of combat aircraft. Nonetheless, it will have too few aircraft to overcome Algeria's air dominance.

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